



Senate

General Assembly

File No. 83

January Session, 2007

Substitute Senate Bill No. 1102

Senate, March 20, 2007

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT REQUIRING THE USE OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR CERTAIN AUDITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 31-331 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2007*):

3 Except as herein otherwise provided, such associations shall be
4 subject to the same regulation and control as is or may be imposed by
5 law upon other corporations or associations taking similar risks in this
6 state, and over them the Insurance Commissioner shall have all the
7 jurisdiction given him by sections 38a-14 and 38a-17 over insurance
8 companies, provided with respect to any such association organized
9 prior to June 6, 1996, with a membership composed exclusively of
10 health care providers and whose premium base is derived entirely
11 from health care organizations, the commissioner may accept a
12 statement of financial condition that shall be audited by an
13 independent certified public accountant using generally accepted
14 accounting principles if such statement also includes a conversion to

15 the accounting standards prescribed by section 38a-70. Such statement
16 of financial condition shall be submitted to the commissioner by such
17 association, annually, on or before the first day of March, signed and
18 sworn to by its president or vice president and secretary or an assistant
19 secretary, of its financial condition on the thirty-first day of December
20 next preceding, prepared in such form and detail as may be prescribed
21 by the commissioner and shall include a certification by an actuary or
22 reserve specialist of all reserve liabilities prepared in accordance with
23 subsection (e) of section 38a-53. In addition to such annual statement of
24 financial condition, any such association shall file, quarterly,
25 unaudited financial statements using generally accepted accounting
26 principles if such statements also include a conversion to the
27 accounting standards prescribed by section 38a-70.

This act shall take effect as follows and shall amend the following sections:

| | | |
|-----------|-----------------|--------|
| Section 1 | October 1, 2007 | 31-331 |
|-----------|-----------------|--------|

INS *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

This bill establishes certain audit requirements for insurance companies, and has no fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sSB 1102*****AN ACT REQUIRING THE USE OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR CERTAIN AUDITS*****SUMMARY:**

This bill permits the insurance commissioner to accept from certain employers' mutual associations financial statements that use generally accepted accounting procedures (GAAP) if the statement includes a conversion to statutory accounting procedures (SAP). The association must submit the financial statements quarterly and annually.

EFFECTIVE DATE: October 1, 2007

EMPLOYERS' MUTUAL ASSOCIATION FINANCIAL STATEMENTS

The bill permits the insurance commissioner to accept financial statements using GAAP if the statements include a conversion to SAP from an employers' mutual association that (1) was organized before June 6, 1996, (2) is composed exclusively of health care providers, and (3) derives its premiums entirely from health care organizations.

Annually by March 1, the association must submit to the commissioner a financial statement covering the preceding calendar year that:

1. is audited by an independent certified public accountant;
2. is prepared in a manner as may be prescribed by the commissioner;
3. is signed and sworn to by the association's president or vice president and secretary or assistant secretary; and
4. includes an actuary's or reserve specialist's certification of

reserve liabilities prepared in accordance with insurance department regulations.

The association must also submit quarterly unaudited financial statements using GAAP if the statements include a conversion to SAP.

BACKGROUND

Employers' Mutual Associations

An employers' mutual association is a mutual association formed by a group of employers in the same or similar trade or business with substantially similar degrees of risk of injury to employees to insure the employers' liabilities under the state Workers' Compensation Act. This is an alternative to the employers purchasing commercial insurance.

By law, the insurance commissioner has financial oversight of these associations and periodically conducts a financial examination of them following the statutorily prescribed standards applicable to licensed insurance companies. Insurance companies' financial statements are prepared using SAP, as published in the National Association of Insurance Commissioners Accounting Practices and Procedures Manual.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/06/2007)